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SUBJECT: FINNISH MINISTER TO PRESENT NEW TRANSATLANTIC AID
INITIATIVE AT UPCOMING PRAGUE MEETING

HELSINKI 00000034 001.2 OF 002

1. At the upcoming Informal Council meeting in Prague January 29-30, Finnish Minister for Foreign Trade and Development Paavo Vayrynen will seek support from EU Development ministers for the creation of a U.S.- EU Transatlantic Partnership for Sustainable Development. The purpose of the partnership would be to develop a coordinated approach to aiding Least Developed Countries (LDCs) by supporting poverty reduction strategies that are ecologically, economically and socially sustainable. Vayrynen briefed the Charge on the proposal January 27, noting that some emerging economies played an outsized role in drafting the Doha Declaration on Financing for Development because the EU and the U.S. did not have a unified position.

2. A more coordinated approach, Vayrynen believes, will strengthen common efforts to eliminate poverty and promote sustainable development. Vayrynen said he had received a favorable reaction from EU Commissioner Louis Michel and he would "see what the reaction in Prague was." He expected support from other Nordics, the British and the Dutch. Vayrynen hopes that the proposal will also represent a new constructive initiative from the EU to strengthen transatlantic cooperation in general. He promised to brief the Embassy following the Prague meeting, and asks that the U.S. "sit back and watch" in the meantime.

3. Below is a copy of Minister Vayrynen's proposal sent by him to all EU Development Ministers:

Begin text:

Proposal on Transatlantic Partnership for Sustainable Development

In the midst of the global financial and economic crisis, we are faced with great challenges in our development policy. We have a heavy task in meeting our existing ODA commitments while new financial obligations are emerging in the Climate Change negotiations. The global turmoil is creating increasing difficulties to our partner countries in the developing world. In order to reach the MDGs and the new Climate Change goals we have to increase the overall effectiveness of our development policies. We have to reestablish the holistic view on development and environment reached in Rio Conference 17 years ago. All development in the world must be ecologically sustainable. Poverty reduction can bring fast and lasting results only when our development policies are economically and socially sustainable.

Thus, an effort should be made to create a Transatlantic Partnership for Sustainable Development between the EU and the United States with the objective to support the Least Developed Countries (LDC) to reach a strong position in tackling their future challenges. The enhanced cooperation would benefit both the EU and the US and, above all, strengthen our common efforts to eliminate poverty and

promote sustainable development all over the world. I think the new U.S. administration, while considering new policies, would welcome any new constructive initiatives from the side of the EU to strengthen transatlantic cooperation. In my view we have just now a great opportunity to move forward.

The common global agenda could be based on the following elements:

Economic Sustainability

Economic growth based on trade, investments in productive sectors and private sector development is the engine of sustainable development and poverty reduction. The global negotiations on trade, development and environment are hampered by the imbalances amongst the developing countries and the lack of coordination between the developed countries.

The WTO negotiations have been dominated by hard talks between the industrialised countries and the emerging developing countries. Still, Doha round is supposed to be based on a development agenda.

The EU and some other developed countries have given the LDCs a full quota and tariff free access to their markets. India and China have made modest steps to the same direction. We should support their efforts and encourage other middle and high income level developing countries to do the same.

Through the Aid for Trade policies the EU together with a number of other countries have taken steps to strengthen the trading capacity of the developing countries. We encourage the Southern donors and the sovereign wealth funds to do the same.

Ecological Sustainability

HELSINKI 00000034 002 OF 002

The comprehensive vision on environmental sustainability reached in Rio in 1992 has been split and negotiations on ecologically sustainable development are held in different fora. At present, the most important of them is the negotiation process on the Climate Change.

As in the case of the WTO negotiations, also the Climate Change negotiations are dominated by the developed countries and the emerging developing countries. A common basis is the principle of common but differentiated responsibility. The industrialised countries are ready to accept deep cuts in their carbon emissions if the developing countries are ready to limit the growth of theirs. A precondition for an agreement seems to be generous funding from the developed countries to the developing countries for mitigation and adaptation.

Climate Change policies must be coordinated with other environmental policies, such as policies to protect the biodiversity, to prevent desertification and to promote sustainable forest management. There must also be proper coordination with other development policies in order to safeguard the overall sustainability.

Climate financing and development financing cannot be separated and therefore all funding for mitigation and adaptation in developing countries should be part of the ODA.

The funds should be administrated by the same institutions and following the same principles and rules.

Social Sustainability

Social sustainability is often understood narrowly as a satisfactory development of the social sector. However, the foundation of social sustainability is formed by democracy, good governance, and respect for the human rights. The principles of social sustainability have been agreed upon in numerous UN resolutions and declarations. The increasing gap

in income and wealth emerging in many developing countries undermines the basis for sustained economic and social development.

We must also encourage the developing countries to pursue inclusive social policies and to implement effective poverty reduction programmes. We must urge the donor community as a whole to promote social sustainability in all its forms.

Finally, we must also strive for greater convergence in the development policies of all the donors and the partners. While Northern donors should do more in building infrastructure, developing productive sectors and supporting private sector development, Southern donors should be more active in primary education, health and other social sectors where they have, based on their own history, invaluable experience and expertise. And we all should follow the principles of sustainable development.

I propose that the EU would make an initiative to the US on the Partnership as soon as possible and start to discussion how to take it forward without delay.

BUTLER